

Royal London UK Real Estate Fund

INVESTMENT POLICY AND OBJECTIVES

The investment objective of the ACS is to aim to outperform the 12 month total return of the ACS's benchmark, the All Balanced Funds component of the MSCI/AREF UK Quarterly Property Fund Index. This index measures quarterly total returns on a net asset value basis.

INVESTOR CONSTITUENCY

The Fund is open to investment by UK and overseas sophisticated investors only

Fund details	
Type of fund	Co-ownership Authorised Contractual Scheme (ACS)
Residence	United Kingdom
Launch date	1st October 2017
Open/dosed-ended	Open-ended
Earliest date of winding up	n/a
Year-end	31 December
NAV (GBPm)	3259.3

Management/professional advisors	
Manager	Royal London Asset Management Ltd
Investment Advisor	Royal London Asset Management Ltd
Property Fund Manager	Stephanie Hacking
Depository	HSBC Bank plc
Auditors	PricewaterhouseCoopers LLP

Investment rates of return, %				
		MSCI/AREF UK Quarterly Property Fund Index *		
	Royal London UK Real Estate Fund	Other balanced open-ended funds	All balanced open-ended funds	All funds
3 months	0.5	0.3	0.4	0.3
Year-to-date	0.8	0.1	0.2	0.1
12 months	-14.8	-17.1	-17.4	-17.1
3 years+	5.6	3.3	3.4	2.3
5 years+	3.9	2.3	2.2	1.1
10 years+	-	6.6	6.3	5.5

Note: * Weighted average returns + Annualised
Source: MSCI/AREF UK Quarterly Property Fund Index

Property investment restrictions	
Maximum development exposure	25% of Net Asset Value
Maximum speculative development exposure	-
Maximum lot-size holding as a standing investment	-
Maximum lot-size holding permitted at purchase	-
Maximum exposure to limited partnerships	-
Maximum exposure to joint ventures	-
Maximum exposure to closed and open-ended property unit trusts	15% of Net Asset Value

Portfolio distribution %				
		MSCI/AREF UK Quarterly Property Fund Index**		
	Royal London UK Real Estate Fund*	Other balanced open-ended funds	All balanced open-ended funds	All funds
Standard retail – South East	14.8	4.9	4.6	4.6
Standard retail – Rest of UK	0.2	1.2	1.4	2.3
Shopping centres	0.0	0.6	0.9	2.5
Retail warehouses	8.9	12.4	12.1	7.6
All UK retail	23.9	19.1	19.0	17.1
City offices	4.8	3.3	3.4	3.2
West End offices	20.7	8.1	7.5	5.1
Rest of South East offices	1.7	7.5	7.1	5.5
Rest of UK offices	2.5	5.2	4.9	5.3
All UK offices	29.6	24.2	22.9	19.1
South East industrial	26.5	24.0	24.5	20.3
Rest of UK industrial	5.1	13.6	13.7	11.8
All UK Industrial	31.5	37.6	38.2	32.1
Other UK properties	4.7	12.4	12.5	25.9
Cash***	10.3	6.7	7.4	5.8
Overall	100.0	100.0	100.0	100.0

** MSCI/AREF UK Quarterly Property Fund Index
^ Includes Investment in Indirects

Property ownership structure			
	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	67	2,848.9	97.4
Joint and indirect holdings	1	75.0	2.6
Listed investments	0	0	0.0
Total	68	2,923.9	100.0

Largest direct investments by lot size & percentage of total portfolio				
Property	Location	Sector	Valuation (GBPm)	% of total portfolio
THE EARNSHAW	LONDON	Office	200-300	*
111-122 NEW BOND STREET	LONDON	Retail Other	200-300	*
INTERNATIONAL TRADING ESTATE,SOUTHALL,INTERNATIONAL TRADING ESTATE, BRENT ROAD	SOUTHALL	Industrial	100-200	*
HAM YARD HOTEL	LONDON	Hotel	100-200	*
1A WIMPOLE STREET	LONDON	Office	100-200	*
25 WILTON ROAD	LONDON	Office	50-100	*
470-476 OXFORD STREET	LONDON	Retail Other	50-100	*
WESTMINSTER INDUSTRIAL ESTATE	LONDON	Industrial	50-100	*
1-3 & 5-9 BROAD PLAIN	BRISTOL	Office	50-100	*
55/59 LONG ACRE	LONDON	Retail Other	50-100	*
10 largest investments as % of portfolio				

Note: * RLAM has requested MSCI not to make this estimate

Direct portfolio structure by lot-size bands			
Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	1	1.5	0.1
2.5 - 5	5	17.6	0.6
5-10	7	53.2	1.8
10-25	23	385.6	13.2
25 - 50	12	456.4	15.6
50 - 100	14	1009.2	34.5
100 - 150	2	218.9	7.5
Over 150	3	706.6	24.2
Total	67	2848.9	97.4
Average lot size		42.5	

Property Yield*		Voids as % of ERV*	
Net initial yield	3.82%	Investments	8.64%
Nominal equivalent yield	-	Developments	1.99%
True equivalent yield	5.56%	Total	10.64%
Net reversionary yield	4.90%		

Rental income & ERV by type of property*		
	Rental income %	Estimated rental value %
Standard retail	16.6	14.5
Retail warehousing	17.6	11.8
Shopping centres	0.0	0.0
Central London offices	21.5	29.5
Other offices	5.6	7.3
Industrial	34.0	34.1
Other	4.7	2.8
Overall	100.0	100.0

Over Renting and Reversionary Potential, % Rent Passing								
Sector	Rent Passing, GBP Millions	Rent Free , % Rent Passing	Development vacancy, % Rent Passing	Investment vacancy, % Rent Passing	Over rented,% Rent Passing	Reversionary potential,% Rent Passing	Reversionary potential Net of Over renting,% Rent Passing	Market Value,% Rent Passing
Standard retail	17.4	2.0	0.0	17.4	-22.5	28.2	5.7	128.2
Retail warehousing	18.4	3.0	0.0	3.5	-8.2	-1.1	-9.3	98.9
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	22.5	0.8	79.6	17.4	-2.5	101.0	98.6	201.0
Other offices	5.9	15.0	0.0	49.8	-6.1	72.6	66.6	188.4
Industrial	35.5	3.8	0.0	16.2	-0.1	47.2	47.1	147.2
Other	4.9	0.0	0.0	0.0	-13.2	-13.2	-26.5	86.8
Overall	104.5	3.2	17.1	15.5	-6.7	45.7	39.0	146.6

*Comprising the ERV of developments in progress or contracted which have not been pre-let

Listed Investments			
	% of Issue held	Valuation (GBPm)	Est. % of total portfolio
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

The unexpired term of leases	
Years	% of rent passing
20 years or greater	6.8
15 years or greater, but less than 20	0.0
10 years or greater, but less than 15	10.6
5 years or greater, but less than 10	28.2
Less than 5 years	54.3

Joint and indirect property holdings						
Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
IPIF units	Industrial	Indirect	-	100.0	75.0	2.6
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Debt analysis						
Fixed rate borrowings			Variable rate borrowings			
Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)	Amount drawn (GBPm)	Rate above LIBOR (incl expenses) (%)	Off balance sheet debt (GBPm)†	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	

Development exposure*				
Capital value of developments				Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	-	-	-	-
% of all directly held properties*	-	-	-	-

* Includes joint ventures in which the Fund has an interest of 50% or more

Valuations/performance monitors/affiliations	
Frequency of valuation	Quarterly
Valuers	Cushman & Wakefield and CBRE
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	Yes
Member of the Association of Real Estate Funds	Yes

Restrictions on holdings of cash/borrowings	
Maximum total gearing permitted	20% of NAV
for investment purposes	-
for liquidity purposes	-
Cash holdings (maximum)	-
Cash holdings (minimum)	-

The contribution of major tenants to rental income	
Tenant	%
LONDON WILTON ROAD CENTRE LIMITED	5.2
BEVERAGE SERVICES LIMITED	4.7
MARKS AND SPENCER P.L.C.	3.1
FIRMDALE HOLDINGS LTD	3.1
GENESIS OIL AND GAS CONSULTANTS LTD	3.0
HUGO BOSS UK LIMITED	2.1
MATALAN RETAIL LIMITED	1.9
JURYS HOTEL MANAGEMENT (UK) LIMITED	1.8
TJX UK	1.7
SAINSBURY'S SUPERMARKETS LTD	1.6
Three largest tenants' contribution to rental income	13.1
Five largest tenants' contribution to rental income	19.1
Ten largest tenants' contribution to rental income	28.2

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	2848.9	0.0	75.0	0.0	2923.9
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	335.4	0.0	0.0	0.0	335.4
Other net assets/liabilities	0.0	0.0	0.0	0.0	0.0
Total net assets	3184.3	0.0	75.0	0.0	3259.3
Gearing (%)					
Net debt (cash)/properties	-11.8	-	0.0	-	-11.5
Net debt (cash)/equity	-10.5	-	0.0	-	-10.3

Quarterly data per unit							
As at	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23	
Bid (GBP)	127.041	130.625	125.620	109.474	109.171	108.927	
Offer (GBP)	132.845	136.593	131.358	114.476	114.159	113.904	

Mid (GBP)	129.943	133.609	128.489	111.975	111.665	111.415
Bid/offer spread	4.37%	4.37%	4.37%	4.37%	4.37%	4.37%
Net asset value (GBP)	128.975	132.615	127.532	111.141	110.834	110.586
Quarterly distribution (GBP)	0.775	0.724	0.493	0.606	0.665	0.753
Yield	2.50%	2.41%	2.24%	2.34%	2.24%	2.28%

Source: RLAM

Unit pricing

Valuation Point:

23.59 U.K. time each Dealing Day (and the valuation shall exclude any income in respect of the interim accounting period ending on that Dealing Day)

Dealing frequency:

Quarterly on the last calendar day of each calendar quarter (i.e. the 31 March, 30 June, 30 September and 31 December) (a Dealing Day)

Distributions

the 15th calendar day following the end of the relevant accounting period

Minimum investment/disinvestment

Minimum initial investment: £50m

Minimum subsequent investment: £10m

Minimum holding: £10m

Minimum redemption £10m

Creation, transfer and realisation of units

Subscription Cut-Off Point:

In order for an application to be dealt with at the above Valuation Point on any Dealing Day an order must have been received by 17.00 U.K. time on the last Business Day that is at least three months prior to the Dealing Day. Instructions received after this point will be dealt with on the next Dealing Day. In respect of the initial offer of Units only, the ACS Manager may, at its discretion, accept certain applications for Units which are received after the Subscription Cut-off Point.

Redemption Cut-Off Point:

In order for a redemption request to be dealt with at the above Valuation Point on any Dealing Day, the instruction must have been received by 17.00 U.K. time on the last Business Day that is at least six months prior to the relevant Dealing Day. Instructions received after this point will be dealt with on the next applicable Dealing Day.

Subscription Settlement Time:

By 17.00 U.K. time at the Business Day, two full Business Days prior to the relevant Dealing Day

Redemption Settlement Time:

T+3

Taxation

The ACS is transparent and is not a taxable entity for UK tax purposes. As such, it is not subject to tax in the UK on income or gains arising on underlying investments.

The ACS is a type of UK fund structure developed to be tax-transparent in the UK and elsewhere. While it is expected that non-UK tax authorities will also recognise it as being tax-transparent, this may not prove to be the case in all jurisdictions.

Charges

Annual Management Charge: 0.70%

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	0	0.0
1% or greater but less than 2%	1	1.8
2% or greater but less than 4%	0	0.0
4% or greater but less than 8%	1	4.7
Greater than 8.0%	2	93.5
Total	4	100.0
Major investors		
Largest holder	1	53.9
Three largest holders	3	98.2
Five largest holders	5	100.0
Ten largest holders	10	-
Internal/external investors		
Internal	4	100.0
External	-	-

Liquidity						
Period	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021	Year to Dec 2022	Year to Dec 2023
Issues and redemptions						
Units in issue as at start of period	27,558,517	28,080,283	28,080,283	28,080,283	28,080,283	30,865,488
Units issued during period	521,767	0	0	0	2,785,205	0
Units redeemed during period	-	0	0	0	0	0
Units in issue at end of period	28,080,283	28,080,283	28,080,283	28,080,283	30,865,488	30,865,488
Unit transfers						
Matched bargains	-	-	-	-	-	-
Matched bargains %*	-	-	-	-	-	-

* as % of units in issue at the end of the period